

DRAFT AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2015

To: **Audit and Accounts Committee**
Date: **20th September 2016**
From: **Duncan Wilkinson, LGSS Head of Audit and Risk Management**
Electoral Division(s): **All**

1. PURPOSE

- 1.1 To present the current draft Audit & Accounts Committee Annual report 2015 – 16.

2. BACKGROUND

- 2.1 The Audit and Accounts Committee issue an annual report to the Council, detailing their activities during the year. This report will be presented to the November 2016 meeting of Full Council.

RECOMMENDATION:

- 2.2 The Committee is requested to comment on the draft report attached..

<i>Officer contact:</i>	
Name:	Duncan Wilkinson
Post:	LGSS Head of Internal Audit
Email:	Duncan.Wilkinson@Milton-Keynes.gov.uk
Tel:	01908 252089

Audit and Accounts Committee

Annual Report

1. Introduction

- 1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management.
- 1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.
- 1.3 The Audit and Accounts Committee has seven members and met eight times in 2015/16. All meetings have been held in public.
- 1.4 The Committee has been structured around the following responsibilities:
 - Considering and approving the Annual Statement of Accounts;
 - Ensuring that the financial management of the Council is adequate and effective;
 - Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
 - Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
 - Ensuring that the Council has an adequate and effective Internal Audit function.
- 1.5 During 2015/16, Internal Audit carried out 37 audit reviews, 21 schools audits, 15 investigations and 8 grant certifications, as well as providing embedded advice and support to a number of projects, including the Highways Transformation Programme.
- 1.6 In total, during the year Internal Audit made 73 recommendations considered to be 'significant' or 'fundamental'. Throughout the course of the year, 80 actions which were considered to be 'significant' or 'fundamental' were implemented by management. 8 'significant' actions were still outstanding at the end of the year, which represents a significant reduction in outstanding actions compared to 2014/15, when there were 29 recommendations yet to be implemented at year end.

- 1.7 Of the 8 outstanding actions, 7 related to the Central Library Enterprise Centre review, and were outstanding due to their dependencies on the current Corporate Capacity Review; the final outstanding 'significant' action related to a review of Traded Services. The Committee has been proactive in following up on these outstanding actions; for more information see below.

2. Proactive Work of the Committee

- 2.0 The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

2.1 Central Library Enterprise Centre (CLEC)

- 2.1.1 On the 21st July 2015, Full Council passed a motion agreeing that this Committee should undertake a review of the process by which CLEC proposals had emerged and were developed, in order to identify recommendations on how the process could be improved.
- 2.1.2 The Committee made the recommendation that this report was researched and produced by Internal Audit, with the exception of the section on Spokes which was deemed too "political" and was compiled by the Chairman. Key recommendations to improve processes were identified as a part of this review and were based around seven key areas: Commercial proposals protocol; confidentiality; project management; options appraisals, market research and procurement; engagement with members; public consultation and business cases. The subsequent report documenting these findings was unanimously approved by Full Council on the 13th October.
- 2.1.3 The delivery of these actions has been underway since the report was issued, and updates on the implementation of these improvements have been a standing item on the Committee's agenda. Some actions have been delayed due to the ongoing Corporate Capacity Review; this review provides an opportunity for a thorough assessment of the Council's current project management processes, and the outstanding recommendations from the CLEC review are being incorporated into the review with Internal Audit support. The Committee is continuing to monitor implementation of these actions in 2016/17, and the next update report is planned for January 2017.

2.2 Safe Recruitment in Schools

- 2.2.1 Safe Recruitment in Schools has been a key area of focus for the Committee in 2015/16. Committee meetings in September, November and March received progress updates from the Schools Partnership

Service on work undertaken to improve schools' compliance with safe recruitment policies and legislation. This has included safer recruitment training by Governor Services which was heavily subscribed and resulted in additional courses being put on, and visits carried out by Education Advisors to all of the County's schools as well as those academies which purchase the County's Safeguarding service.

- 2.2.2 Internal Audit reviews of Safer Recruitment in schools during 2015/16 were targeted towards schools which were considered to be high-risk. The results from the fifteen schools which were reviewed bore out this assessment and consequently the Committee has requested a follow-up report from the Learning Directorate, which will be brought to the November 2016 meeting, and will outline the work that will be undertaken going forward to further improve compliance.

2.3 Home to School Transport

- 2.3.1 The Committee has maintained a focus on Home to School Transport throughout the year, following a £1m overspend on this service in 2014/15. In November, the Chairman met with the Director of Learning to discuss the budget and gain assurance over the arrangements to ensure accurate estimates of demand going forward. The Chairman of the Total Transport Board was also invited to attend the March Committee meeting to update Members on progress in relation to developments aimed at reducing transport costs and integrating transport provision more widely across the County Council.
- 2.3.2 In March the Committee received an Internal Audit report into Home to School Transport which identified a number of issues in respect of the safeguarding arrangements for the service, and particularly the penalties imposed on operators for breaching key safeguarding controls, which were less than those imposed for excessive late running. Given the potential safeguarding risk identified, the report was issued with a designation of major organisational impact, and the Committee responded by requesting that Education Transport Services bring a report to the June 2016 meeting regarding the policing arrangements for contractual compliance for Home to School Transport.
- 2.3.3 The June report provided assurance that agreed actions were on the way to being implemented, and Internal Audit will be following up on this further and reporting back to Committee in 2016/17, to confirm that the risks have been addressed.

2.4 Risk Management and the Risk Register

- 2.4.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved. The role of this

Committee is to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- 2.4.2 The Committee has received four risk management reports throughout the year alongside the Corporate Risk Register. The Committee has the opportunity to query individual risks within the risk register, which are then reported back to the Corporate Risk Group and Senior Management Team (SMT) for further review. In particular, during 2015/16 the Committee raised queries regarding the recording of risks for the City Deal and recruitment capacity and effectiveness, as part of their role providing continuous challenge to the Risk Register. The Committee has also requested updates to target dates and additional detail on specific mitigating actions to be provided, and reviewed the presentation of the residual risk map.
- 2.4.4 The annual report which was presented to the Committee in June 2016 outlined the Key Corporate Risks faced by the Council, the outcome of the annual review of the Risk Management Policy and the development of the Council's risk management approach during 2015/16. Proposed developments for 2016/17 include the implementation of a new risk management system 'Grace' (Governance, Risk and Control Evaluation) across the Council.
- 2.4.5 A training session for Committee members on Risk Management was also held prior to the July 2016 meeting.

2.5 Corporate Governance

- 2.5.1 The Code of Corporate Governance must be reviewed by the Committee annually. It is critically challenged, to ensure it continues to be relevant and effective in supporting the seven 'Nolan' principles of public life, as well as to comply with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The current Code of Corporate Governance was reported to the Committee on 12th July 2016, following a full review of supporting evidence by Internal Audit.
- 2.5.2 This year's Code of Corporate Governance remained unchanged from previous years; however, new CIPFA / SOLACE guidance on governance statements was published in April 2016, which applies to annual governance statements prepared for the financial year 2016/17 onwards. To ensure compliance, Internal Audit will be bringing a report back to Committee reflecting this new guidance later in 2016/17. This will ensure that the Committee continues to have oversight of the assessment of how the Council has achieved core principles around corporate governance. This will demonstrate that Cambridgeshire County Council is fully committed to achieving the high standards expected of a public sector body.

2.6 Council Finance and Statement of Accounts

- 2.6.1 Throughout 2015/16, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Resources and Performance Reports to assess progress in delivering the Council's Business Plan and review the status of the Council's Key Performance Indicators. The Committee regularly inquires and follows-up on areas which have overspends or other issues; recently this has included an inquiry regarding the outturn in 2015/16 at Grafham Water Centre.
- 2.6.2 The Committee also considered and approved the annual Statement of Accounts.

2.7 Committee Training

- 2.7.1 At the November 2015 meeting, the Committee discussed their requirements for additional training, and a training plan was produced. Sessions on risk management and the Corporate Accounts have been delivered to Committee members.
- 2.7.2 The outcomes from the sessions were reviewed at the July 2016 meeting and it was agreed that a further session, on an introduction to Finance, would be held prior to the September 2016 meeting.

3. The Committee's relationship with Internal Audit

- 3.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a new, more flexible approach from the Internal Audit team which ensures that planned coverage is continually assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this new approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions. Recently this has included a suggestion of an audit looking at the Council's reliance on contractors self-reporting issues as part of contract management arrangements. This has been incorporated into the 2016/17 Audit Plan and will be carried out later in the year.
- 3.2 The Committee has also taken an active role in the anti-fraud agenda. The Committee suggested that the current counter-fraud whistleblowing poster should be redesigned; this has lead to the development of a new poster in conjunction with the CIPFA Counter-Fraud Centre, and plans for a campaign to raise awareness among staff about the risk of fraud and how to report concerns.

4. Future Focus for the Committee

- 4.1 As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including Safer Recruitment and the Cambridge Library Enterprise Centre report. The updated CIPFA / SOLACE guidance on governance statements means that 2016/17 will also see a focus on the Council's governance structures through a full review of its Code of Corporate Governance.
- 4.2 More broadly, the 2016/17 Business Plan highlights that over the next 5 years the Council will continue to face unprecedented financial challenges coupled with significant growth, affecting both demand for services and the level of resources the Council has available to fund their provision.
- 4.3 Delivering statutory services within this context will continue to be incredibly challenging – and the Committee will seek to ensure that those services continue to be delivered with integrity and in a way that is accountable, transparent, effective, efficient and inclusive.
- 4.4 This Committee carries out its responsibilities by directing and monitoring the efforts of Internal Audit. In future, given the financial situation, there will be ever-increasing emphasis on enabling the Council to provide a higher level of service to our customers within a defined budget. In line with the approach being taken by Council services more generally, the Committee's role is likely to increasingly shift towards a focus on outcomes.